



Embassy of the United States of America

Better Infrastructure Brings Economic Growth



A boat moves through the double lock system on the Erie Canal at Lockport, New York. ©AP Images

Investments in modern infrastructure lay the foundations for economic development and growth. Building roads, bridges, power transmission lines and making other improvements create jobs. When completed, these projects help a society increase its wealth and its citizens' standard of living.

INFRASTRUCTURE FOR PROSPERITY

Efficient infrastructure underpins American economic strength. The construction of canals and trans-continental railroads in the 19th century and of national highways in the 20th sparked growth and prosperity. More recently, investments in telecommunication and

Internet networks have provided a launching pad for a 21st century economy.

Infrastructure must be maintained and modernized as new needs and technologies emerge. The Political Economy Research Institute estimates that the United States must invest at least \$87 billion per year to maintain or improve the efficiency and productivity of its economy. But U.S. infrastructure investments earn a fine return: each \$1 billion potentially creates some 18,000 jobs.

Infrastructure investments can similarly accelerate economic development in less developed nations and emerging markets. Nations that invest in infrastructure are better positioned to

attract direct foreign investment, stimulate commerce and support local businesses. Their citizens are more likely to enjoy better health care, sanitation and other markings of well-being, according to the African Development Bank (AfDB). China, South Korea and Taiwan owe their economic

Union Pacific Railroad crews work on a high-speed rail track in Plainview, Illinois. ©AP Images



successes in part to infrastructure investments. India plans \$1 trillion in investments over the next five years to modernize its economy.

CHALLENGES

Because infrastructure projects are expensive, governments often seek co-financing through public-private partnerships and multilateral institutions. These partners also can supply valuable oversight and technical expertise — an important ingredient in avoiding corruption, cost overruns and failed projects.

Supportive regulations, strong project management, transparent procurement procedures, and careful consideration of environmental and social impacts all are essential to a project's success, experts say. The Maputo Development Corridor in Mozambique, Lesotho Highlands Water Project and South American Regional Infrastructure

The Inga hydro electric dam, which supplies electricity to Congo's capital city Kinshasa. ©AP Images



South African Roadwork company employees fix a bridge damaged during floods. *Eric Miller/World Bank*

Integration roads are examples of successful infrastructure projects.

AFRICA AND INFRASTRUCTURE

Sub-Saharan Africa is one region where infrastructure improvements can spark greater economic development. Many countries there suffer from underdeveloped road and rail systems, rudimentary and unstable electric grids, bare-bones water-supply and sanitation systems, and congested ports and airports.

"Infrastructure is probably the single most important need for Africa to develop," said Stephen Hayes, president of the Corporate Council on Africa, a group that promotes U.S.-Africa commercial ties. AfDB estimates that deficient infrastructure reduces sub-Saharan Africa's output by about 40 percent. Transport costs, for example,

are more than twice as high as in South and East Asia.

AfDB believes that, to attain middle-income levels, Africa must double its investment in infrastructure. African nations at present invest about 2-3 percent of gross domestic product (GDP) in infrastructure. By contrast, China invests about 9 percent of its GDP in infrastructure projects. As large infrastructure projects can strain the finances of a single country, experts say sub-Saharan nations should jointly finance projects that can spur regional development.

The United States encourages African countries to invest in infrastructure and offers its support. The 2012 African Growth and Opportunity Act (AGOA) Forum focused on infrastructure development that supports and promotes trade.